

# Senate Study Bill 3098 - Introduced

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON PETERSEN)

## A BILL FOR

1 An Act relating to transparency in health insurer payment  
2 transactions with health care providers and including  
3 applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1. LEGISLATIVE FINDINGS. The general assembly  
2 finds and declares all of the following:

3     1. Despite the potential benefits associated with  
4 electronic funds transfer payments, many health care providers  
5 are being subjected to fees associated with electronic payment  
6 that essentially reduce their contracted fee amounts.

7     2. Some health care providers are being subjected to  
8 percentage-based fees for federal Health Insurance Portability  
9 and Accountability Act — standard automated clearing house  
10 electronic funds transfer payments when the only fee that  
11 should be assessed with automated clearing house electronic  
12 funds transfer payments is a nominal banking fee.

13    3. In recent years, many health insurers have started paying  
14 health care providers through payer-issued credit cards, which  
15 are often virtual credit cards, thereby shifting the costs of  
16 transferring money electronically from the health insurer to  
17 the health care provider.

18    4. Although credit cards are a valid electronic alternative  
19 to paper checks, the use of credit cards for payment by health  
20 insurers requires health care providers to manually enter  
21 payments into the health care providers' own credit card  
22 processing systems.

23    5. Processing payments through a credit card system often  
24 comes at a significant cost to health care providers, as the  
25 payments are subject to interchange and transaction fees,  
26 thereby reducing the agreed upon contractual fee amount  
27 received by the health care provider for the provided health  
28 care services.

29    6. Health care providers are often unaware of these high  
30 interchange and transaction fees when accepting credit card  
31 payments.

32    7. Unlike patient credit card payments, health insurer  
33 credit card payments do not offer significant risk reduction  
34 for health care providers, but nevertheless carry increased  
35 processing charges.

1     8. Health insurers often receive cash-back incentives from  
2 credit card companies for such transactions.

3     Sec. 2. NEW SECTION.   **514M.1 Title.**

4     This chapter shall be known and may be cited as the  
5 *"Transparency in Health Insurer Payment Transactions Act"*.

6     Sec. 3. NEW SECTION.   **514M.2 Definitions.**

7     As used in this chapter, unless the context otherwise  
8 requires:

9     1. *"Credit card payment"* means a type of electronic funds  
10 transfer in which the health insurer or its contracted vendor  
11 sends credit card payment information and instructions to the  
12 health care provider, who then processes the payments using  
13 standard credit card technology. *"Credit card payment"* includes  
14 virtual or online credit card payments where no physical  
15 credit card is presented to the health care provider and the  
16 single-use credit card expires upon payment processing.

17    2. *"Health care provider"* means the same as defined in  
18 section 135.61, a hospital licensed pursuant to chapter 135B,  
19 or a health care facility licensed pursuant to chapter 135C.

20    3. *"Health insurance coverage"* means the same as defined in  
21 section 513B.2.

22    4. *"Health insurer"* means a carrier, as defined in section  
23 513B.2, and includes an entity or person that offers or  
24 administers health insurance coverage in this state, or  
25 contracts with a health care provider to furnish specified  
26 health care services to enrollees pursuant to health insurance  
27 coverage.

28    5. *"Nominal"* means a monetary amount equal to or less  
29 than the bank fee associated with a federal Health Insurance  
30 Portability and Accountability Act — standard automated  
31 clearing house electronic funds transfer payment.

32    Sec. 4. NEW SECTION.   **514M.3 Requirements.**

33    1. A contract issued, amended, or renewed on or after  
34 January 1, 2017, between a health insurer or the health  
35 insurer's contracted vendor and a health care provider for

1 the provision of health care services to an enrollee of a  
2 policy, contract, or plan of health insurance coverage shall  
3 not contain restrictions on methods of payment from the health  
4 insurer or vendor to the health care provider in which the only  
5 acceptable payment method is a credit card payment.

6 2. Prior to initiating or changing payments to a health  
7 care provider using electronic funds transfer payments,  
8 including virtual credit card payments, a health insurer or its  
9 contracted vendor shall do all of the following:

10 a. Notify the health care provider of all fees associated  
11 with a particular payment method.

12 b. Provide clear instructions to the health care provider  
13 about how to opt out of a payment method at any time following  
14 initial agreement to that payment method.

15 c. Following completion of the requirements in paragraphs  
16 "a" and "b", obtain written consent from the health care  
17 provider for the payment method.

18 3. A health insurer or its contracted vendor is not required  
19 to obtain consent from a health care provider in accordance  
20 with subsection 2 prior to a subsequent payment transaction  
21 unless a new type of electronic fund transfer payment is  
22 initiated with the health care provider.

23 4. A health insurer or its contracted vendor shall not  
24 impose any interchange, transaction, or processing fees, or  
25 other charges, on a health care provider beyond a nominal  
26 amount for receiving federal Health Insurance Portability  
27 and Accountability Act — standard automated clearing house  
28 electronic funds transfer payments.

29 Sec. 5. NEW SECTION. 514M.4 Waiver prohibited.

30 The provisions of this chapter shall not be waived by  
31 contract, and any contractual clause in conflict with the  
32 provisions of this chapter or that purports to waive any  
33 requirements of this chapter is void.

34 Sec. 6. NEW SECTION. 514M.5 Severability.

35 If any provision of this chapter or its application to any

1 person or circumstance is held invalid, the invalidity does  
2 not affect other provisions or application of this chapter  
3 which can be given effect without the invalid provision or  
4 application, and to this end the provisions of this chapter are  
5 severable.

6 EXPLANATION

7 The inclusion of this explanation does not constitute agreement with  
8 the explanation's substance by the members of the general assembly.

9 This bill creates the transparency in health insurer payment  
10 transactions Act. The bill includes legislative findings which  
11 include recognition of the burdens and loss of revenue for  
12 health care providers who are paid for their services by health  
13 insurers or their contracted vendors through payer-issued  
14 credit cards, including virtual credit cards. Such payments  
15 are subject to interchange and transaction fees of which  
16 health care providers are often unaware. The bill's findings  
17 also include recognition that some health care providers are  
18 also being subjected to percentage-based fees for federal  
19 Health Insurance Portability and Accountability Act (HIPAA) —  
20 standard automated clearing house electronic funds transfer  
21 payments when the only fee that should be assessed with such  
22 payments is a nominal banking fee.

23 The bill creates new Code chapter 514M which provides that  
24 contracts issued, amended, or renewed on or after January  
25 1, 2017, between a health insurer or the health insurer's  
26 contracted vendor and a health care provider for payment  
27 for health care services provided to enrollees in health  
28 insurance coverage shall not contain restrictions on the  
29 method of payment to the health care provider in which the  
30 only acceptable method of payment is a credit card payment.  
31 The bill also provides that prior to initiating payments to a  
32 health care provider using electronic funds transfer payments,  
33 including virtual credit card payments, the health insurer  
34 or vendor must notify the health care provider of all fees  
35 associated with each payment method; provide clear instructions

1 about how the health care provider can opt out of a payment  
2 method; and after such notice and instructions, obtain written  
3 consent from the health care provider for the payment method.  
4 Such consent does not have to be obtained from the health care  
5 provider prior to subsequent transactions unless a new type of  
6 electronic funds transfer payment is being initiated.

7     The new Code chapter prohibits a health insurer or its vendor  
8 from imposing any interchange, transaction, or processing fees,  
9 or other charges on a health care provider beyond a nominal  
10 amount for receiving federal HIPAA — standard automated  
11 clearing house electronic funds transfer payments. “Nominal”  
12 is defined as a monetary amount equal to or less than the bank  
13 fee associated with a federal HIPAA — standard automated  
14 clearing house electronic funds transfer payment.

15     The provisions of the new Code chapter cannot be waived  
16 by contract and any contractual clause in conflict with the  
17 provisions of the Code chapter is void. The provisions of the  
18 new Code chapter or its application are severable in the event  
19 that any provision or its application is held invalid.